

## **Workers' Compensation Advisory Committee (WCAC) Meeting**

Labor and Industries, Tumwater, WA

Meeting Notes

April 13, 2016

### **Business Representatives:**

Sheri Sundstrom, Washington Self-Insurers Associations

Mike Roozen, Washington State Farm Bureau

Bob Battles, Association of Washington Business

Tammie Hetrick, Washington Retail Association

### **Labor Representatives:**

Joe Kendo, Washington State Labor Council

Karen Gude, United Food and Commercial Workers 1439

### **Labor and Industries:**

Joel Sack, Director;

Vickie Kennedy, Assistant Director for Insurance Services

### **Board of Industrial Insurance Appeals (BIIA):**

Dave Threedy

### **Absent:**

Karen Bowman, Washington State Nurses Association

Lee Newgent, Washington State Labor Council

### **Court Reporter:**

Milton Vance

### **Recorder:**

Veronica Berets

**Guests:** Christine Brewer, Patrick Connor, Kris Tefft, Patrick Knowin, Veronica Shakotko, Scott Dilley, Regine Neiders, Brian Bishop, Janice Camp, Tom Kwieciak, Juan Egee, Nancy Dicus, Lloyd Brooks, Viona Latschaw, Kaethe Long, Michael Yost, and Lauren Gubbe

**Labor and Industries Staff:** Tina Minning, Ron Burford, Sidse Nielsen, Kim Contris, Cheri Ward, Cathy Mowlds, and Amy Ray

### **Welcome & General Updates: Joel Sacks and Vickie Kennedy**

The meeting began with a safety tip on prescription opioid use and introductions of the committee members and audience.

Ms. Kennedy announced that this was Tammie Hetrick's first WCAC meeting as a committee member and took a moment to acknowledge her history of working on various workgroups and advisory committees with Labor and Industries.

Director Sacks gave a brief description of what would be covered in today's meeting.

### **Insurance Services Performance Metrics Dashboard: Vickie Kennedy and Kirsta Glenn**

Director Sacks took a moment to introduce Ms. Glenn and to recognize her for her extensive work with Labor and Industries over the past several years. He continued by mentioning that Ms. Glenn is leaving the agency and this would be her last meeting.

Ms. Glenn started by stating that during the economic recession there was a decline in the construction industry which had a major impact on workers' compensation. Ms. Glenn shared a graph of the total hours which shows the economy has been growing since 2010/2011 in terms of hours worked. As of 2015, work hours are about 5 percent higher, at a level similar to where we were prior to the recession.

Ms. Glenn went on to explain there is a decline in the injury rate partially due to a shift in industries, from high risk to lower risk work. Data shows that the accepted claim rate has declined as well.

Director Sacks added that the department is continuing to analyze the interventions and approaches we are using to improve worker outcomes and improve efficiencies to determine what is working, what can be done better, and how to make sure we're managing the system overall to have the desired impacts. We continue to equip workers with knowledge, skills, ability and support they need to focus on healing and thinking about returning to the workforce.

Ms. Kennedy started by talking about the JLARC consultant recommendations. She continued by discussing data that shows workers are more likely to have a successful return to work when it occurs by six months after injury.

Ms. Kennedy went on to discuss our efforts with the private vocational counselors to get referrals for services to them much earlier in claims and to develop enhanced services particularly for these cases. The department is focusing on these early efforts so that more workers return to their job of injury or retain their pre-injury skills. When they need retraining, recognizing this early and providing retraining options is more likely to result in a successful return-to-work outcome. Data has shown that making the referrals early enough in a claim, the worker is more likely to return to the job of injury and save on average up to 100 days of time loss on a single claim.

### **Medical Management at L&I: Leah Hole-Marshall**

Ms. Hole-Marshall started off by explaining the percentage of injuries that are catastrophic and how that compares to the overall population of claims. She noted that only .3 percent of claims are considered catastrophic, compared to 80 percent that are sprains and strains.

Ms. Hole-Marshall went on to explain Washington's focus on disability prevention. Washington has three primary strategies to prevent disability:

1. Payer Fundamentals
  - a. Fee Schedule
  - b. Provider Education and Outreach
  - c. Provider Network
2. Reduce Harm
  - a. Risk of Harm
  - b. Utilization Review
  - c. Treatment Guidelines
3. Identify Best Practices and Pay for Quality
  - a. Centers for Occupational Health and Education
  - b. Top Tier
  - c. New Evidence Based Best Practices

#### **Board of Industrial Insurance (BIIA) Update: Dave Threedy**

Mr. Threedy discussed the total appeals filed and granted. He stated that the data has been fairly consistent over the last couple of years, although there was a slight increase this quarter, following a small decrease the preceding quarter.

He went on to review the PD&O (Proposed Decision and Order) Time-Lag by Quarter for Hearing Judges. The Board is meeting its goal of no more than 30 days to get decisions from the judges. Currently the number is at 28 which the Board is happy with.

The D&O Time-Lag by Quarter was met.

#### **General Updates: Joel Sacks and Vickie Kennedy**

Director Sacks started out by discussing agency-request legislation adopted in 2016. He discussed a bill regarding regulation of food trucks. The trucks that are built out of state and used in Washington now must meet the same requirements as all trucks in state.

The second bill makes a change to the way employers are billed for the state's right-to-know program.

The last bill that Director Sacks discussed was not an agency request. This legislation provides clarity regarding elective medical-only coverage for qualifying student volunteers and volunteers in general. This changed the way that employers can report those hours, providing an option to pay a flat amount per volunteer, reporting 100 hours per volunteer annually.

## **Industrial Insurance (State) Fund Financial Overview: Rob Cotton**

Rob Cotton, Workers' Compensation Account Manager for Financial Services, presented a financial update for fiscal year 2016 through second quarter – July 1, 2015 through December 31, 2015.

Mr. Cotton started by discussing the 2015 comprehensive annual financial report (CAFR). He noted that in December we had announced that we had just completed our comprehensive annual financial report (CAFR) as well as the statutory financial report. Both were independently audited and we received unqualified, or clean, opinions on both reports.

Mr. Cotton then announced that we received our sixth consecutive Governmental Financial Officers (GFOA) award which is only given to governments who have demonstrated transparency and full disclosure, the highest level of recognition in governmental accounting and financial reporting.

Mr. Cotton provided a financial highlights overview for July 2015 through December 2015:

- The contingency reserve balance decreased \$149 million, from \$1,225 million on July 1, 2015 to \$1,076 million on December 31, 2015 due to:
  - Premiums are greater than current accident year incurred costs
  - Realized gains on equities from rebalancing in July 2015
- Other significant changes decreased due to:
  - Unrealized losses from equities due to the downturn in the stock market
  - Projected liabilities for prior years' claim benefits were increased primarily in July through September
  - Unrealized losses from fixed income due to a rating change for a few bonds

Mr. Cotton explained that it's important to remember this is a six-month period. Totals will be added on a cumulative basis. The second quarter is a total of six months; the third quarter will be nine months, and then finally a total year.

### **State Fund Results:**

- Insurance operations:
  - Premiums earned (we took in): \$971 million
  - Total expenses incurred (we spent): \$1,086 million
- Premiums earned:
  - Net premium earned increased by \$54 million
    - Increase in hours reported by employers
    - Premium rate increase in the Medical Aid account effective January 1, 2015
- Net benefits incurred:
  - Benefits incurred increased from \$113 million compared to last year
- Investment income:
  - Total investment income was \$313 million
- Other revenues and expenses:

- The net for other revenues and expenses was \$30 million
- Results of operations:
  - We have a net of \$69 million
- Contingency reserve:
  - \$1,225 million at the start of the fiscal year
  - \$69 million from our net income
  - The contingency reserve for the Accident and Pension Funds was \$136 million
  - The contingency reserve for the Medical Aid Fund was \$940 million
  - New contingency reserve as of December 31, 2015 is \$1,076 million
- Key financial ratios:
  - The operating ratio is 92.8 percent for Fiscal Year End.

**Closing Comments & Adjourn:**

Ms. Kennedy requested that the committee approve the minutes from September 25, 2015.  
Committee approved.

Meeting adjourned.